

RETIREMENT LIVING

OUR VISION FOR THE
RETIREMENT COMMUNITY SECTOR



SPRING 2023

McCARTHY STONE
Life, well lived

“Our developments have seen a Covid-19 infection level of just a **third** of that among older people in society and a **quarter** of that seen across the public as a whole”



OUR 2025 RETIREMENT LIVING VISION

Retirement communities demonstrated their value during the Covid-19 pandemic by keeping older people safe and well. There were few positives to come from this period, but it did show the important role retirement communities play in the UK today, with our developments seeing an infection level just a third of that among older people in wider society.

Sadly, a shortage of retirement communities meant not enough older people had access to their benefits. As things stand, a growing proportion of people in later life feel unable to move from their existing homes into something better suited to their changing needs.

We also recognise the retirement community model of the past has not always worked. It has been unaffordable to many, it has lacked tenure choice, and there has been a lack of long-term care and support.

We want to change this.

We started to address this in 2010 when we **integrated** our development, landlord and management services responsibilities for all new schemes and set up our CQC-regulated care business.

In 2018 we went further and announced a new strategic focus on **affordability, choice** and **flexibility**. In early 2022, we added a fifth word: **sustainability**, outlining our commitment to build and operate sustainable developments.

These five words are at the centre of our vision to give older people what they need and want, along with encouraging greater **Government support** to enable new supply in the sector.

This is our blueprint for our business to help us meet the challenges and opportunities presented by our ageing population. This document outlines our vision in more detail, and we hope it will also be of use to the wider industry to inform its thinking.

John Tonkiss
Chief Executive
McCarthy Stone
March 2023

OUR 2025 VISION FOR MCCARTHY STONE AND THE RETIREMENT COMMUNITY SECTOR

WHAT	WHY	HOW
Integrated	Provide an end-to-end property management, care and support service that assists older people over the long term	<ul style="list-style-type: none"> We integrated our development, landlord and operational responsibilities in 2010 We set up our in-house management services business in 2010 We established our CQC-registered personal care service in 2010 We established an in-house resales operation in 2018
Affordable	Help more people with lower affordability levels enjoy the benefits of retirement living. We believe the market has missed a national opportunity to provide an affordable home-ownership offering for older people	<ul style="list-style-type: none"> We are developing more affordable retirement communities at lower price points We have partnered with Anchor to build several 'affordable for all' retirement villages We have set up a new shared ownership business and are launching a new affordable shared ownership tenure We will be using MMC across 50% of future sites to build, faster, greener and more affordably
Choice	Offer customers more ways to move into a retirement community and enjoy the benefits of retirement living to help expand the market	<ul style="list-style-type: none"> We provide a range of housing options including Retirement Living and Retirement Living PLUS (Extra Care) apartments and bungalows across the UK We are launching more models, including our first large-scale retirement villages We started to provide more tenure choice from 2019 with rental now a third of our yearly transactions We partner with Anchor to offer retirement villages providing all tenures
Flexible	Increase the flexibility of our care and support services to provide more support for older people and help them over the long term as their needs change and develop	<ul style="list-style-type: none"> We provide an in-house Services operation, including a CQC-registered care team We deliver c.1m meals a year and c.500,000 hours of care and support a year We are expanding our care and support services We are expanding our food and beverage offer, as well as our technological support
Sustainable	Increase the sustainability of our developments so they protect the planet	<ul style="list-style-type: none"> We deliver a measurable improvement in the wellbeing of our customers All new developments will have a net biodiversity gain from 2023 All new developments will be net zero carbon from 2030 50% of future developments will be built using MMC to build cleaner, greener and faster
Government support	Encourage more supply to meet the needs of an ageing population, and increase public understanding	<ul style="list-style-type: none"> We want to work with Government to create a new framework for developing and operating retirement communities, increasing supply, housing and care options for older people

WHAT ARE RETIREMENT COMMUNITIES?

At McCarthy Stone we develop and manage two types of retirement communities.

RETIREMENT LIVING

- Low maintenance private apartments or bungalows for independent living in great locations
- Exclusive to the over 60s. Average age at point of moving: 79
- Built to Lifetime Homes standards or above
- Benefit from an on-site House Manager
- Access to communal areas for socialising, including a shared lounge and attractive gardens
- Central locations in or near town centres, with easy access to amenities and public transport
- Safety and security - door camera entry, fire-detection system, and 24-hour emergency-call out system
- We take care of the gardening and maintain the exterior and shared areas
- Guest suite for when family and friends visit

RETIREMENT LIVING PLUS (Extra Care/housing with care)

- Developments similar to Retirement Living, but exclusive to the over 70s. Average age at point of moving: 83
- On-site chef-run restaurant or bistro
- Bespoke domestic and personal care packages from our on-site and CQC-registered care team
- Built to full wheelchair accessibility standards
- Estate Management team based on-site 24 hours a day, 365 days a year, totalling c.20 people
- Additional communal facilities such as a well-being suite, hairdressers and laundry
- Both types also include bungalows within the grounds

*Facilities may vary from site to site.



THE OPPORTUNITY



HEALTHIER AND HAPPIER

- £3.5k saving/person/year to health system
- An 80 year old feels like a 70 year old
- Potential £2.1bn saving/year to state

CHAIN REACTION

- c.3m older people looking to **downsize**
- Could free up **2m spare bedrooms**
- **2 in 3 chains** end with a first time buyer

SILVER SAVIOURS

- Delivers **most economic value** of any form of residential development
- Each scheme creates **£13m of Gross Value Added** in an area over its lifetime
- **£550k spent** by residents/scheme/year

RETIREMENT COMMUNITIES DELIVER SIGNIFICANT PERSONAL AND SOCIO-ECONOMIC BENEFITS

Retirement communities keep older people happier, healthier and independent for longer, reducing the strain on the social care and health system. They also address the housing crisis by freeing up homes at the top of the ladder for young people and first-time buyers, and revitalise town centres and high streets by regenerating central, brownfield sites where our customers wish to live.

We have commissioned three reports by WPI Economics to highlight these benefits which are noted above.

DEMAND IS GROWING

The UK has a rapidly ageing population. Those aged 65 and over will increase by around 5 million in the next 20 years to more than 17 million people. Around c.3 million older people are looking to downsize, yet just c.7,500 new retirement properties are built a year, against demand for 30,000 new retirement properties a year.

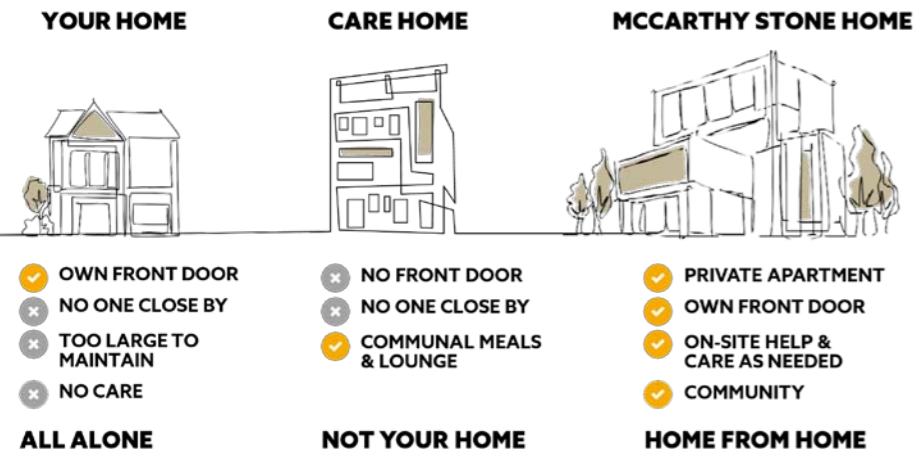
A THIRD WAY TO LIVE IN RETIREMENT

The Covid-19 pandemic proved the intrinsic value of retirement communities. Our customers were not isolated in a large family-sized home, nor did they face the challenges experienced by care homes.

Our communities kept customers independent and supported, with high levels of companionship and access to services, care and food prepared freshly on-site.

A NEW ASSET CLASS IS EMERGING, DRIVING NEW INVESTMENT

New investment is coming into the retirement sector, and with the right regulatory framework and commercial model, the sector could experience similar levels of growth to that seen among student housing which doubled in size in the 2000s. This could address years of under-supply.



- Current supply: c.7,500 new retirement properties a year.
- Demand: 30,000 new retirement properties a year

THE CHALLENGE

Despite these opportunities, there are several historical challenges that have held the retirement community sector back.

MISCONCEPTIONS AND BARRIERS

The retirement community sector has suffered from a lack of understanding. Many see it as either akin to care homes or the old sheltered housing stock of the 1960s and 1970s. People are not clear about the different terms that exist. Products and services can be financially complex. Linked to this, there is a long-standing stigma in the UK around retirement, particularly retirement housing, and downsizing in particular.

LACK OF AFFORDABILITY AND VIABILITY

Building and operating retirement communities has been expensive, with high construction costs to fund the provision of large communal areas, high service charges to pay for the cost of services, and high planning taxes. Additionally, the sector has not been supported by Government incentives such as Help to Buy. Operators have therefore typically focused on the social rented end of the market, funded by Government, or developed high end luxury schemes to cover their costs. This approach has meant this form of housing has remained unaffordable to the majority.

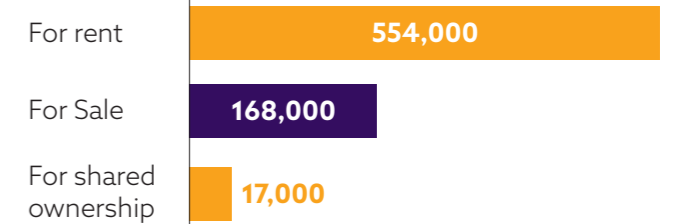
LACK OF SUPPLY

Despite rising demand and nearly 13 million people being aged 65 or over, the number of specialist

homes for older people remains chronically low. Just c.750,000 units have ever been built across all types and tenures, and around three quarters of the stock is for social rent. There are also just c.80,000 housing with care properties. In total, this is just c.2% of UK housing supply.

Undersupply

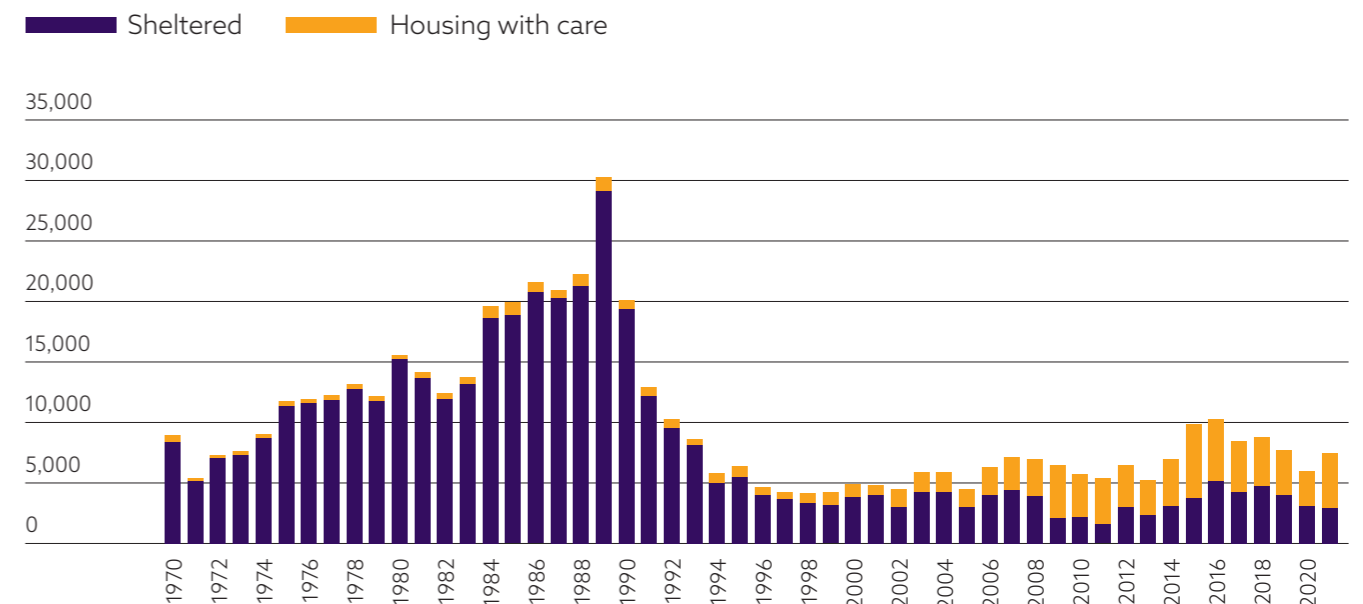
Specialist retirement housing (EAC)



LEGACY AND RESALE ISSUES

We integrated our development, landlord and services operations in 2010 to better support customers. We also set up our own resales business and moved our leases to 999 years. However, there remain older developments where these operations are separated and customers are not always well-supported in terms of maintenance and ongoing support.

Retirement living growth by accommodation type (number of properties) (EAC)



RETIREMENT COMMUNITIES – OUR VISION FOR 2025

We believe McCarthy Stone and the retirement community has an exciting future. Here we set out our approach and vision to meet the opportunities that are open to our sector and address its historic challenges.

1. INTEGRATED: Integrating our development, landlord and operational responsibilities.

Critical to the delivery of our vision is the integrated operational model of running retirement communities. Operating retirement communities requires long term involvement, providing a range of on-site care and support services, from management teams, restaurants, carers, cleaners and other services.

To fully support older people, we believe all developer, landlord and management services should be integrated in the same organisation.

What are we doing?

Since 2010, we are the developer, landlord and service provider on all of our new developments. This is fundamental to being able to provide the ongoing operations, services, care and support that is required to run a modern retirement community. In 2010, we also set up our own CQC-registered care service.

Today, we:

- Operate 500 retirement communities, which is everything we have developed since 2010. This includes 110 Retirement Living PLUS (Extra Care) communities
- Support 22,000 older people around the UK
- Have 1,800 people delivering services in our communities
- Provide c.1 million meals a year
- Deliver c.500,000 hours of care and support a year
- Have a 97% good or above rating from the CQC for our communities
- Provide an in-house resales service to support our customers at every step

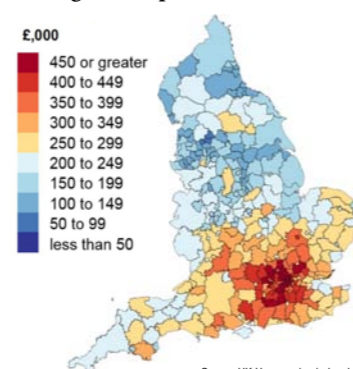


2. AFFORDABLE: Increasing the affordability of our retirement communities.

Purchase prices and service charges in the private retirement sector have typically been high, and development has largely been in the South East. We want to change this and develop new products at a more affordable price so more people can access their benefits. This means focusing on levelling up areas in the North and Midlands.

This is also about ensuring that ongoing service charges are affordable. Our aim is to provide a fantastic proposition in terms of support, companionship and security at a price that is affordable for the majority.

Average house prices



Source UK House price index July 2019 Source English Indices of Deprivation Gov.uk

Deprivation map



What are we doing?

- Creating a new product that allows us to develop in lower value areas, priced in the £150k-£200k bracket
- Addressing the high running costs for retirement communities by launching new payment options
- Using Modern Methods of Construction to build 50% of our future developments. This will help us to build faster, greener and more affordably
- Developing a series of new 'affordable for all' retirement villages in partnership with Anchor. All tenures will be provided, including social rent, part ownership, rental and for sale

- Launching a new affordable shared ownership tenure through our new shared ownership business, with Homes England backing. This will deliver 1,500 new affordable shared ownership units over the next five years



Hewson Court, Hexham, our first MMC site, opened by the then Construction Minister, Rt Hon Anne-Marie Trevelyan MP



Our plans for a new retirement village in Wimborne, Dorset



Our new joint development in Bingley, Yorkshire, with Anchor

3. CHOICE: Increasing choice of tenures and property types.

The private retirement sector has typically provided just a 'for sale' model in the past. This has missed those who want to rent privately, or part rent and part buy, and has limited our market. We want to offer more tenure choices, along with a choice of property options, from bungalows to apartments to retirement villages, with levels of care and support as required. This will broaden our appeal and allow more people to enjoy a better quality of life.

What are we doing?

- Providing three core product options, including Retirement Living, Retirement Living PLUS (Extra Care) and bungalows. In future we want to expand this to also include large-scale urban retirement villages. This will help to provide a choice of properties to suit people at differing stages of their retirement
- In 2019 we launched new private rental and private shared ownership tenures for the first time to complement our for sale offering
- In 2021, we launched a new investment partnership that brings in outside investment and provides the City with new ways to engage in the retirement living opportunity
- Around a third of our yearly transactions are now for rent

4. FLEXIBLE: Increasing the flexibility of our services to support our customers

The retirement housing model of the past has not offered a wide range of services which has often left people feeling unsupported and frustrated when more assistance is needed. We want to provide more care and support, deliver more food and beverage options, and roll out more technological support. We also want to provide different payment solutions to give customers greater options around how to fund these services. All of this will make our offer more appealing and help future proof our developments for our customers.

What are we doing?

- We integrated our development, landlord and management services in 2010. We believe this is the future basis of all retirement living platforms
- We provide care, support and property maintenance services, including CQC-registered and 24-hours a day support in our Retirement Living PLUS developments
- We now operate 500 developments, with an asset value of more than £3.5 billion. These are the developments we have opened since 2010
- We have 1,800 staff working in service delivery, supporting 22,000 older people
- We are rolling out more services, including more care, more food and beverage options, and greater use of technology
- We are launching new partnerships, including a food delivery service with Morrisons
- We are the only developer to win the 5* rating for customer service each year

5. SUSTAINABLE: Increasing the sustainability of our developments

Our developments need to be sustainably built and operated and embedded in the communities in which they are based. This is good for the environment but is also good business sense. Our customers want to know they are living in a home that has been built with climate change in mind, so we see huge opportunity to be more ambitious with future sustainability objectives.

What are we doing?

- WPI Economics has shown that retirement living is already hugely sustainable; it keeps older people happier and healthier, releases housing stock, and regenerates brownfield sites
- Each McCarthy Stone apartment emits one tonne less of carbon than a new build house, and more than three tonnes less than their previous family-sized home
- We will have a net biodiversity gain on all new sites from 2023, and be net zero carbon on new developments from 2030
- We aim to build 50% of our future developments using Modern Methods of Construction (MMC), as part of our commitment to building high-quality, energy-efficient retirement communities
- We launched our new Charity Foundation in late 2020 and its aim is to deliver more than £1 million in social value per year from 2025
- We have 100 apprentices across our build and services teams, helping to train the next generation

6. GOVERNMENT SUPPORT: A policy environment that encourages investment

While many of the solutions to growing our sector are in our own hands, in terms of getting our product and service offering right, greater Government support is also needed to help us truly reach our potential and deliver these socio-economic benefits at scale.

We are pleased the Department for Levelling-Up, Housing and Communities will be setting up a housing for older people's taskforce and we look forward to sharing our expertise with it. Retirement communities must be seen as part of the solution to the various challenges our society faces, from social care, to housing, to the future of the high street.

Our proposals for how Government can increase the supply of retirement communities are simple:

- Reform of the planning system:
 - 10% of future housing supply should be specifically for older people. This means increasing overall supply from c.7,500 new retirement properties a year to 30,000, which is 10% of the Government's target, and the level of demand estimated by Knight Frank. This will be achieved by:
 - Publishing new national guidance for older people's housing
 - Requiring local authorities to assess local housing need for older people
 - Requiring local authorities to include policies for older people in their Local

Plans. 50% of local plans do not currently have any policies for older people's housing

- Ensuring sites for older people's housing are allocated in Local Plans
- Reviewing the additional impact of affordable housing and CIL payments on retirement communities
- Exempting people moving into a retirement community from paying stamp duty, given the socio-economic benefits of this form of housing
- Having a much more ambitious role for Homes England: a 10% of its housing delivery should be specifically for older people's housing, along with a reformed Older Person's Shared Ownership (OPSO) Scheme
- Create greater clarity over the future commercial model for charging for services within retirement communities, including the potential for greater use of event fees, along with greater consumer protection and regulation
- Create a clearer understanding of the different types of retirement communities by having an agreed set of terms that is understood by the public
- Create a new tenure that becomes a viable alternative to leasehold and works specifically for the service-based model of retirement communities

We want to work with Government to create a new framework for developing and operating retirement communities, increasing supply, housing and care options for older people.



CONCLUSION

This document lays out our vision for McCarthy Stone and the retirement community sector, focusing on integrating services, providing choice, affordability and flexibility for customers, and building and operating sustainably.

We are innovating and changing to meet the needs of older consumers, but for the retirement community sector to fully reach its potential in the UK and meet the needs of older people, greater Government support is required to help address years of under supply.

As the Government's proposed taskforce for older people's housing takes shape, we hope this document will be a useful resource, and we look forward to discussing its content with Ministers, officials and wider stakeholders.

McCARTHY STONE
Life, well lived



CONTACT DETAILS

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